

METRO REVOLVING LOAN FUND PROGRAM DESCRIPTION	
Loan Size	Loans will be from \$25,000 to \$150,000
Interest Rates	Interest rates on loans will be fixed and will generally be Prime Rate Plus, but in no event will the interest rate be less than 4.00 percentage points below the current money center prime at the time the loan is approved, or the maximum interest rate allowed under state law, whichever is lower, or less than 4%.
Payment Terms	Payments will generally be made monthly; however, customized payment structures will be extended to borrowers depending upon their individual cash flow needs.
Loan Terms	Generally loans will be direct loans fully amortized over three to seven years; however, longer loan terms will be available based upon the borrower's needs repayment ability, and asset life. In general, loan terms will not exceed the average useful life of the assets being financed. Working capital loans will not carry a term in excess of seven years. The loan term will be the lesser of the average useful life of the asset being financed, or the borrower's ability to pay.
Leverage – or Participation	The RLF may be utilized to participate in other financing institution's loans and/or lines of credit. In addition, one of the goals of the program will be to use funds to leverage private investments of at least two dollars for every one dollar of RLF investment.
Equity	For each individual loan the equity requirement will generally range from ten to thirty percent of the total project cost. Businesses may be required to inject funds into the project depending upon; whether the business has adequate equity, generally determined to be defined as debt-to-net worth ratio, which is 4:1 or less; the overall strength of the business; collateral coverage; and, availability of cash to put into the project. These elements are all considered in determining the equity required for each project. For working capital loans, the injection may be in the form of net working capital in the business equal to 10 - 30%, dependent upon risk and other factors.

Collateral	<p>Collateral pledged for each loan will depend upon the loan amount, the overall risk of the credit, and the availability of personal and business assets to be pledged as collateral.</p> <p>Loans will be secured to the fullest extent possible to protect the interests of the RLF as a secondary source of repayment. The RLF will obtain a perfected interest in a borrower's assets, including outside assets of related parties, as appropriate. Loans may be secured with the following types of assets:</p> <ul style="list-style-type: none"> ➤ Real property ➤ Machinery & equipment ➤ Inventory ➤ Accounts Receivable ➤ Stock pledges ➤ Patents and other intellectual properties ➤ Securities ➤ Intangibles ➤ Personal and/or corporate guarantees <p>Personal guaranties of all owners with 20% or greater ownership in the applicant company, and may be required to individuals with management authority and/or responsibility. Guarantees may also be required of affiliate companies.</p>
Financing Restrictions	<p>Capital may not be used to:</p> <ul style="list-style-type: none"> ❖ Acquire an equity position in a private business; ❖ Subsidize interest payments on an existing loan; ❖ Provide the equity contribution required of borrowers under other federal loan programs; ❖ Enable a borrower to acquire an interest in a business, either through the purchase of stock or through the acquisition of assets, unless the need for funding is sufficiently justified and documented in the credit memorandum;

	<ul style="list-style-type: none"> ❖ Refinance debt unless there is a sound economic justification and it is sufficiently documented in the credit memorandum that the business is not replacing private capital solely for the purpose of reducing the risk or loss to an existing lender(s); or to lower the cost of financing to a borrower, or not use business income sources and/or recycled funds to purchase the rights of a prior lien holder during an in-process foreclosure action in order to preclude a significant loss on a loan. ❖ Businesses that are relocating jobs from one commuting area to another. The commuting area is that area defined by the distance people travel to work in a locality of the project receiving financial assistance.
Job Creation & Cost Per Job	Every project shall have a job creation or retention component. This means that for every \$20-30,000 of RLF financing, the application will agree to create one new job (FTE).
Financing Not Otherwise Available	Each application must demonstrate that financing is not otherwise available on terms or conditions that would permit completion and/or the successful operation or accomplishment of the project activities to be financed. The primary evidence for this will be the analysis provided in the credit memo supported by outside documentation, for example, bank decline letters.
Credit Reports	Standard credit reports on all principals owning 20% or more of a business under consideration for a loan and the business will be ordered and reviewed. Credit reports for individual employees with management responsibility may also be required. Adverse credit deficiencies that would cause the underwriter to question the ability and or willingness of the potential borrower to repay the loan will be deemed a valid reason for declining the request. A summary review of the results of the credit reports shall be a part of the Loan Write-up. Costs of credit reports shall be for the account of the borrower, whether or not the loan is approved.
UCC Lien Search	Where personal property is being taken as security (i.e. equipment, or business assets), a UCC search shall be completed to determine any existing liens. A real estate title report will be required in those instances where real property is being taken as collateral.

Appraisal Reports	Where existing fixed assets and/or real properties are being used as collateral, appraisal or other valuation determinations will be required. Appraisals will utilize qualified appraisers having expertise appropriate to the assets being pledged. The cost of these appraisal(s) shall be for the account of the borrower, whether or not the loan is approved.
Environmental Reviews	<p>The City of San Diego has an environmental review process in accordance with the intent of the National Environmental Policy Act (NEPA) of 1969, as amended (P.L. 91-190), as implemented by the “Regulations” of the President’s Council on Environmental Quality (40 CFR, Parts 1500-1508), as listed in Section D, paragraph 10, of Title IX Economic Adjustment Program, Revolving Loan Fund Grants, Standard Terms and Conditions, December 1998. This review process will include the following:</p> <p>The borrower will be required to comply with applicable laws and statutes.</p>

STANDARD LOAN APPLICATION REQUIREMENTS

Each potential borrower will be required to complete a Loan Application. Potential borrowers are required to submit the following documents with their application:

METRO REVOLVING LOAN FUND APPLICATION CHECKLIST

Business Profile: Product/service description; form of business organization; mission; affiliates; location, etc.

Business Plan: Introduction, product/services, market, operations, financial viability, and conclusion.

Projections: Provide annual income and expense projections for the term of the loan. Include monthly projections until breakeven is achieved and annual projections thereafter. Include detailed supporting written assumptions.

Cash Flow Statement: To support the company's projected performance, prepare a monthly cash flow statement through breakeven.

Business Financial Statements: Fiscal year-end financial statements for the past three years, as well as current (less than 60 days old) monthly interim financial statements (Balance Sheet and Profit & Loss).

Business Federal Income Tax Returns: For the prior 3 years, including all schedules.

Affiliate Information: For any affiliated company, including those 20% or more owned by applicant principals, provide financial statements and tax returns as called for above.

Schedule of All Business Debt: Form provided.

Shareholder Schedule: Provide names, amounts invested, number of shares held, share price paid, special rights, percentage ownership and purchase dates.

Accounts Receivable, Accounts Payable, and Taxes Payable Aging: Provide aging as of the most recent fiscal year end and interim statements. For accounts receivable, provide copies of invoices or master listing for all major accounts; for accounts payable list vendors' names and addresses and any special terms provided; for taxes payable, provide details of quarterly tax liabilities, including any unpaid periods, liens, or workout agreements.

NOTE: /MetroRLF requires all delinquent taxes to be paid prior to funding.

Copies of Contracts: Major purchase orders, license agreements, exclusives, trademarks, copyrights, leases etc.

Employee List: Provide job titles, full or part time status, and current annual salaries. (Complete form provided).

SUPPORTING INFORMATION

Use of Proceeds Statement: Provide a detailed breakdown of proposed expenditures of loan proceeds, with explanation and timing of each.

Private Matching Funds: The MetroRLF requires at least a matching amount of private/leverage capital. Explain need/strategy to attract concurrent outside capital and target amount sought.

Credit Report Authorization: Complete, sign, and return form provided.

Application Fee: Provide a (non-refundable) \$250 check payable to the City of San Diego prior to processing.

PERSONAL INFORMATION

For each principal active in management holding 20% or more in company stock, please submit the following:

Resume: For officers who are key to the daily management of the company.

Personal Financial Statement: Complete attached form or similar format, with information less than 60 days old.

Personal Federal Income Tax Returns: For the prior 3 years, including all schedules and K-1's if applicable.

Questions regarding this material may be directed to:
Trish Hughes-Raber, Senior Business Finance Officer (619) 533-7454